



PSC NEWS

Missouri Public Service Commission

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APPROXIMATELY \$30.3 MILLION IN NATURAL GAS REFUNDS TO COME TO SOME MISSOURI CUSTOMERS

Jefferson City (March 2, 2004)---Under settlements recently approved by the Federal Energy Regulatory Commission (FERC), approximately \$30.3 million in refunds will go to Missouri natural gas customers of Missouri Gas Energy, Union Electric Company (d/b/a AmerenUE), Aquila Networks-MPS, Atmos Energy and City Utilities of Springfield. These refunds come from cases involving Kansas ad valorem taxes unlawfully collected during the period of 1983 through 1988 by natural gas producers from Southern Star Central Gas Pipeline and Panhandle Eastern Pipe Line customers.

“The Staff of the Missouri Public Service Commission has been very involved in this case, aggressively representing the interests of Missouri ratepayers before the FERC and the courts,” stated PSC Chairman Steve Gaw. “Through the PSC Staff’s hard work and the work of others, Missouri consumers will benefit from these refunds this spring.”

While the Public Service Commission had agreed to provisions settling small-to-medium refund obligations during 2001, unlike other parties, the Commission opted-out of settlement provisions granting 25% waivers on producers’ large refund obligations. Therefore, in January 2003, FERC set the outstanding issues for hearing.

Prior to hearings, the Commission was able to enter into reasonable settlement agreements with the majority of the remaining producers such as BP America Production Company (formerly Amoco Production Co.), OXY USA Inc., Anadarko E&P Company LP (formerly Anadarko Petroleum Corp. and Union Pacific Resources Company), ExxonMobil Oil Corporation, and Duke Energy Services, Inc. Having received final FERC approval, the biggest part of the settlement refunds will be paid by producers during the month of March, with some Missouri consumers seeing related bill credits in the following months. **These recent settlements provide \$7.9 million more to Missouri customers than would have been paid if Missouri had agreed to earlier settlements.**

The PSC continues to litigate an additional \$11 million in refund claims against Pioneer Natural Resources USA, Inc. FERC hearings related to those claims were held in August and October 2003. The PSC, with the assistance of the Missouri Attorney General’s office, is also pursuing certain unpaid refunds other parties have deemed uncollectible.

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BACKGROUND: In 1983, Colorado Interstate Gas (CIG) filed a case before the FERC objecting to the inclusion of Kansas ad valorem (property) taxes in the price paid for natural gas. In that case, the FERC allowed the producers to recover the Kansas ad valorem taxes from interstate pipelines, who then in turn were permitted to pass those costs through to their customers.

The case was appealed to the courts, and in 1988, the federal appeals court remanded the issue to the FERC. At the urging of the PSC, in 1994, the FERC reached a decision ordering Kansas producers to refund overcharges, plus accrued interest, for the period of July 1988 through December 1993. Missouri consumers received approximately \$13 million in refunds in late 1994 and early 1995 for overcharges occurring during 1988-1993.

Customers then appealed the FERC's decision to limit refunds to overcharges occurring after July 1988. In late 1996 and early 1997, the courts determined additional refunds, including accrued interest, needed to be made for overcharges collected during the October 1983-June 1988 time period. Missouri customers initially received \$7.3 million during 1998-99 and \$1.5 million during 2000-01 for refunds. The recent settlements also pertain to refunds for overcharges associated with this earlier time period.